EXHIBIT D

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SBA

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

C 07 4141

ELLIOT GREENBERG, Individually and On Behalf of All Others Similarly Situated,	No.
Plaintiff,	CLASS ACTION
vs.	COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS
LUMINENT MORTGAGE CAPITAL, INC., GAIL P. SENECA, SEWELL TREZEVANT MOORE, JR. and CHRISTOPHER J. ZYDA,	
Defendants.	DEMAND FOR JURY TRIAL

INTRODUCTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the publicly traded securities of Luminent Mortgage Capital, Inc. ("Luminent" or the "Company") between October 10, 2006 and August 6, 2007 (the "Class Period"), against Luminent and certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 ("1934 Act").

2. Luminent is a real estate investment trust ("REIT"). The Company invests primarily in the United States agency and other single-family, adjustable-rate, hybrid adjustable-rate and fixed-rate mortgage-backed securities, which it acquires in the secondary market. Luminent is headquartered in San Francisco, California.

3. During the Class Period, defendants issued materially false and misleading statements regarding the Company's business and financial results. As a result of defendants' false statements, Luminent stock traded at artificially inflated prices during the Class Period.

4. As the real estate market and the mortgage industry began imploding, defendants continued to claim Luminent's business was solid and its investments were high quality.

5. As a result of the inflation, defendants were able to complete a publicly traded securities offering in October 2006 at $10.25 per share and a $90 million private placement of 8.125% Convertible Senior Notes due 2027 on May 30, 2007.

6. On August 6, 2007, after the market closed, the Company issued a press release entitled "Luminent Mortgage Capital, Inc. Announcements." The press release stated in part:

> Luminent Mortgage Capital, Inc. announced today that, since August 3, 2007, the mortgage industry, and the financing methods that the mortgage industry relies upon, have deteriorated significantly and in an unprecedented fashion. Effectively, the secondary market for mortgage loans and mortgage-backed securities has seized-up. As a result, Luminent is simultaneously experiencing a significant increase in margin calls on its highest quality assets and a decrease on the financing advance rates provided by its lenders.
>
> In a Board of Directors meeting today, Luminent's Board unanimously voted to take the following actions:
>
> - The Board of Directors suspended payment of Luminent's second quarter cash dividend of 32 cents per share on Luminent's common stock.

- The Board of Directors extended the maturity of the outstanding commercial paper issued by Luminent Star Funding Trust I, a special purpose subsidiary of Luminent, by 110 days.

- The Board of Directors cancelled Luminent's second quarter 2007 earnings release conference call, scheduled for Thursday, August 9, 2007, at 10:00 a.m. PDT, to discuss its second quarter of 2007 results of operations.

- The Board of Directors delayed the filing of Luminent's quarterly report on form 10-Q for the second quarter of 2007. Luminent's second quarter of 2007 unaudited condensed financial information is attached to this press release. Luminent's independent registered public accounting firm has not completed a review of the financial information for the three and six months ended June 30, 2007.

- The Board of Directors authorized Luminent's senior management to inform the New York Stock Exchange of these unfolding events and, as a result, trading was halted in Luminent's common stock.

The Board of Directors currently is considering the full range of strategic alternatives to enhance Luminent's liquidity and preserve shareholder value during this period of market volatility.

7. On August 7, 2007, Luminent's stock collapsed $3.30 per share to close at $1.08 per share, a one-day decline of 75% on volume of 32.2 million shares, 25 times the average three-month volume.

8. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) The Company lacked requisite internal controls, and, as a result, the Company's projections and reported results issued during the Class Period were based upon defective assumptions and/or manipulated facts;

(b) The Company's investments in mortgage loans were not all "high quality" as claimed by defendants, nor was its hedging disciplined and sophisticated as to credit risk; and

(c) The Company was not on track to report the earnings forecast or to pay the dividends promised.

9. As a result of defendants' false statements, Luminent's stock price traded at inflated levels during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down more than 89% from their Class Period high.

JURISDICTION AND VENUE

10. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

11. (a) Venue is proper in this District pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this District.

(b) Luminent's principal executive offices are located at 101 California Street, Suite 1350, San Francisco, California.

PARTIES

12. Plaintiff Elliot Greenberg purchased Luminent publicly traded securities as described in the attached certification and was damaged thereby.

13. Defendant Luminent is a REIT. The Company invests primarily in the United States agency and other single-family, adjustable-rate, hybrid adjustable-rate and fixed-rate mortgage-backed securities, which it acquires in the secondary market. During the year ended December 31, 2005, Luminent expanded its mortgage investments to include mortgage loan acquisition and securitization, as well as investments in mortgage-backed securities that have credit ratings of below AAA. The Company's investment in mortgage-backed securities principally consists of pass-through certificates, which are securities representing interests in pools of mortgage loans secured by residential real property. The Company asserts that it invests in high-quality residential mortgage loans, AAA-rated and agency-backed mortgage-backed securities and subordinated mortgage-backed securities.

14. Defendant Gail P. Seneca ("Seneca") founded Luminent in 2003. Defendant Seneca is, and at all relevant times was, Chairman of the Board and a director of Luminent and was Chief Executive Officer ("CEO") of the Company from its inception through May 2007. During the Class Period, Seneca was responsible for the Company's public statements and reaped $1.5 million worth of restricted stock awards, in addition to $1 million in salary and bonuses.

15. Defendant Sewell Trezevant Moore, Jr. ("Moore") is, and at all relevant times was, President of Luminent. Defendant Moore was appointed CEO in May 2007. Additionally, Moore was Chief Operating Officer ("COO") of Luminent from 2005 until May 2007. During the Class

Period, Moore was responsible for the Company's false statements and reaped $138,305 worth of restricted stock awards, in addition to $700,000 in salary and bonuses.

16. Defendant Christopher J. Zyda ("Zyda") is, and at all relevant times was, Senior Vice President and Chief Financial Officer ("CFO") of Luminent. During the Class Period, Zyda was responsible for the Company's financial statements.

17. Defendants Seneca, Moore and Zyda (the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of Luminent's quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. They were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein at ¶¶20-33.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

18. Defendants are liable for: (i) making false statements; or (ii) failing to disclose adverse facts known to them about Luminent. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Luminent publicly traded securities was a success, as it: (i) deceived the investing public regarding Luminent's prospects and business; (ii) artificially inflated the price of Luminent's publicly traded securities; (iii) allowed Luminent to complete a $60 million stock offering in October and complete a $90 million private placement of 8.125% Senior Convertible Notes just two months before the bottom fell out of Luminent stock; (iv) allowed the Individual Defendants to reap millions of dollars worth of restricted stock awards; and (v) caused plaintiff and other members of the Class to purchase Luminent publicly traded securities at inflated prices.

BACKGROUND

19. Luminent is a REIT. The Company invests primarily in the United States agency and other single-family, adjustable-rate, hybrid adjustable-rate and fixed-rate mortgage-backed securities, which it acquires in the secondary market. During the year ended December 31, 2005, Luminent expanded its mortgage investments to include mortgage loan acquisition and securitization, as well as investments in mortgage-backed securities that have credit ratings of below AAA. The Company's investment in mortgage-backed securities principally consists of pass-through certificates, which are securities representing interests in pools of mortgage loans secured by residential real property. Luminent asserts that it invests in high-quality residential mortgage loans, AAA-rated and agency-backed mortgage-backed securities and subordinated mortgage-backed securities. Luminent holds investments in several types of mortgage-backed securities, including adjustable-rate, hybrid-adjustable rate and fixed-rate mortgage-backed securities, as well as collateralized mortgage obligations. The Company also invests in residential mortgage loans. The loans acquired by Luminent are first lien, single-family residential traditional adjustable-rate and hybrid adjustable-rate loans with original terms to maturity of not more than 40 years. Luminent invests in credit-sensitive residential mortgage securities. These mortgage-backed securities have credit ratings below AAA, and are sometimes referred to as subordinated residential mortgage-backed securities.

DEFENDANTS' FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

20. On October 10, 2006, Luminent issued a press release entitled "Luminent Mortgage Capital Announces Public Offering of Common Stock." The press release stated in part:

> Luminent Mortgage Capital, Inc. announced today that it is offering five million shares of common stock in an underwritten public offering. The underwriters will be granted a 30-day option to purchase up to an additional 750 thousand shares of common stock.
>
> A registration statement relating to these securities has been filed with, and declared effective by, the Securities and Exchange Commission.
>
> UBS Investment Bank is the sole book-running manager of the offering, with JMP Securities acting as the co-lead manager.

21. The Company filed a prospectus with respect to the offering which emphasized the quality of its investments:

> Our primary objective is to provide a secure stream of income for our stockholders based on the steady and reliable payment of residential mortgages made to borrowers of prime credit quality.
>
> * * *
>
> We review the credit risk associated with each potential investment and may diversity our portfolio to avoid undue geographic, product, originator, servicer and other types of concentrations. By maintaining a large percentage of our assets in a highly diversified pool of high quality, highly-rated assets, we believe we can mitigate our exposure to losses from credit risk. We have significant credit enhancement that protects our investment in the assets we own that are not rated AAA or better. We employ rigorous due diligence and underwriting criteria to qualify whole loan assets for our portfolio in order to mitigate risk. This due diligence includes performing compliance sampling in states with predatory lending statutes, valuation analysis and layered credit risk analysis using a suite of software screening tools.

22. On October 12, 2006, the Company issued a press release entitled "Luminent Mortgage Capital Upsizes and Prices Common Stock Offering at $10.25 Per Share." The press release stated in part:

> Luminent Mortgage Capital, Inc. announced today that it upsized and priced a public offering of six million shares at $10.25 per share. Luminent expects gross proceeds of $61.5 million from the sale, which the company intends to use to purchase mortgage assets as part of its Residential Mortgage Credit and Spread strategies. The underwriters have been granted a 30-day option to purchase up to an additional 900 thousand shares of common stock.
>
> A registration statement relating to these securities has been filed with, and declared effective by, the Securities and Exchange Commission.
>
> UBS Investment Bank was the sole book-running manager of the offering, with JMP Securities acting as the co-lead manager.

23. On November 9, 2006, the Company issued a press release entitled "Luminent Mortgage Capital, Inc. Third Quarter Earnings: Ongoing Strength – Adjusted REIT taxable net income of $0.30 per share, up 67% year-over-year – Core earnings of $0.29 per share, up 142% year-over-year – Third quarter dividend of $0.30 per share; annualized yield of 11.2% – Special dividend of $0.075 per share declared October 10, 2006." The press release stated in part:

> Luminent Mortgage Capital, Inc. today reported a net loss for the quarter ended September 30, 2006 of $6.6 million, or $0.17 per share, and core earnings of $11.2 million, or $0.29 per share. Core earnings adjust for gains and losses on derivative instruments and one-time charges. REIT taxable net income for the quarter ended

September 30, 2006 was $8.7 million, or $0.21 per share, and adjusted REIT taxable net income, was $12.0 million or $0.30 per share. The one-time charges to both GAAP income and REIT taxable income in the quarter reflect the completion of Luminent's transition to full internal management. REIT taxable net income is the basis upon which Luminent determines its dividends. The difference between GAAP net income and core earnings and REIT taxable net income is detailed in the additional financial information provided on pages seven and eight of this release.

Consistent with Luminent's goal to produce attractive income streams, Luminent declared a third quarter dividend of $0.30 per share, which was paid on November 6, 2006 to stockholders of record on October 9, 2006. Based on Luminent's November 8, 2006 closing stock price of $10.69, the $0.30 third quarter dividend equates to an annualized dividend yield of 11.2%. This historical yield should not be construed as a predictor of Luminent's future dividend yield. Luminent declared a special dividend of $0.075 per share, which will be paid on November 10, 2006 to stockholders of record on October 20, 2006. The quarterly dividend of $0.30 per share and the special dividend of $0.075 per share were fully supported by REIT taxable net income and do not represent a return of capital. After payment of these dividends, Luminent's undistributed taxable income balance was approximately $5.9 million at September 30, 2006, before any earnings for the fourth quarter of 2006 are considered.

"We are pleased to report another excellent quarter," said Gail P. Seneca, Chairman of the Board and Chief Executive Officer. "Consistent with our strategy, we again added high quality assets to our balance sheet and financed them efficiently, securing a stream of long-term, recurring cash flow to support our growing dividend. We believe that our attractive $0.30 dividend is sustainable. We continue to identify profitable investment opportunities, which should drive our earnings in the year ahead."

Trez Moore, President and Chief Operating Officer, commented, "Amid challenging mortgage market conditions this year, Luminent has consistently produced strong and growing core earnings, and solid returns on equity. ***Luminent's risk management disciplines have largely insulated us from interest rate turbulence, liquidity shocks and severe credit losses. Our investment disciplines should continue to serve our stockholders well."***

Other highlights include:

– Robust net interest spread: 119 basis points on a REIT taxable basis, net of servicing expense

– Strong return on equity: 12.1% on an adjusted REIT taxable basis

– Asset growth: $6.4 billion, up 15% from second quarter and 31% year-over-year

– ***Momentum in high credit quality residential mortgage credit strategy***

* $772.7 million prime quality, first lien loans acquired and securitized in the third quarter

* $4.4 billion prime quality, first lien loans acquired and securitized to date

– Solid credit performance

* Zero credit losses

* Delinquencies below industry averages

– Minimal interest rate exposure

* "Matched-book" funding strategy

* Over 90% of assets float monthly, net of hedges

– Moderate leverage: 5.4x on a recourse basis

– CDO initiative to drive further asset and profitability growth

– Strong common stock performance: 52% total return year-to-date

The composition of Luminent's mortgage asset portfolio is diverse and high quality. At September 30, 2006, 67% of Luminent's mortgage assets were prime quality, first lien loans with an average FICO score of 711, a moderate-sized average loan balance of $392 thousand, and strong down payment protection, with an average loan to value ratio of 76%. The vast majority of these mortgage loans are on single-family, owner-occupied homes. 24% of Luminent's mortgage assets at September 30, 2006 were adjustable-rate AAA-rated or agency-guaranteed mortgage-backed securities, virtually all of which have coupons that are currently resetting. 9% of Luminent's mortgage assets at September 30, 2006 were adjustable-rate mortgage-backed securities rated below AAA, with an average overall rating of A-.

At September 30, 2006, the weighted-average coupon rate of Luminent's mortgage assets was 6.90%. For the third quarter of 2006, the weighted-average yield on average earning assets was 6.84% on a GAAP basis. Luminent's weighted-average cost of liabilities for the third quarter of 2006 was 5.40% on a GAAP basis. Total financing liabilities were $6.0 billion at September 30, 2006.

Luminent's net interest spread for the third quarter of 2006 was 1.44% on a GAAP basis, and 1.19% on a REIT taxable income basis, net of servicing expense. Luminent's net interest spread benefited from careful asset acquisition, monthly resets on mortgage assets and effective liability hedging strategies.

Luminent is committed to high credit quality. Approximately 92% of Luminent's assets carry AAA, AA or A ratings, or have been securitized into bonds with AAA, AA or A ratings. Non-investment grade securities, including retained tranches of Luminent securitizations, totaled less than 4% of Luminent's total assets at September 30, 2006. First loss exposure, calculated on the same basis, was less than 60 basis points of total assets at September 30, 2006.

Credit performance is solid. Luminent's seriously delinquent (90+ days) loan rate of approximately 43 basis points of total loans held for investment as of September 30, 2006 is well below the industry average for prime quality loans. As of September 30, 2006, Luminent had realized no credit losses on its portfolio of loans held for investment. Loss reserve levels were increased during the quarter to reflect loan seasoning.

Luminent originated and securitized a $772.7 million, prime quality loan package during the third quarter. Capital market reception was excellent, with an

overall weighted-average funding cost of LIBOR plus 22 basis points. This securitization financed whole loan assets with non-recourse, match-funded debt.

The weighted-average amortized cost price of Luminent's total mortgage assets at September 30, 2006 was 101.2% of par.

The constant payment rate on total mortgage assets was 16% for the quarter ended September 30, 2006. The majority of Luminent's loans carry prepayment penalties.

Luminent maintains a strong capital position and modest leverage. Cash and unencumbered assets were approximately $280 million at September 30, 2006. Luminent's recourse leverage ratio, defined as total recourse financing liabilities as a ratio of total stockholders' equity and 30-year debt, was 5.4x at September 30, 2006.

Luminent's funding strategy exhibits diversification, low borrowing costs and increasing use of non-recourse, match-funded loans. Repurchase agreement financing declined to just 42% of total liabilities at September 30, 2006. On August 2, 2006, Luminent established a $1 billion single-seller commercial paper facility, Luminent Star Funding I, to fund its mortgage-backed securities portfolio. This facility will further reduce Luminent's reliance on repurchase agreement financing.

24. On November 9, 2006, the Company filed its Form 10-Q for the third quarter of 2006, which included the same financial results previously reported. The Form 10-Q also included a certification by Seneca, which stated:

I, Gail P. Seneca, certify that:

1. I have reviewed this Form 10-Q of Luminent Mortgage Capital, Inc. (the Registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

25. Defendant Zyda signed a nearly identical certification included in the Form 10-Q.

26. On January 25, 2007, the Company issued a press release entitled "Luminent Mortgage Capital Announces Its Ninth Loan Securitization." The press release stated in part:

> Luminent Mortgage Capital, Inc. today announced the successful execution of LUM 2007-1, a securitization of $706.8 million of prime quality mortgage loans.
>
> "This transaction advances Luminent's goal to create and secure high quality, recurring cash flows," said Gail P. Seneca, Luminent's Chief Executive Officer and Chairman of the Board. "LUM 2007-1 contributes to the sustainability of our dividend over the long-term."
>
> "We are extremely pleased with the execution of our scheduled quarterly securitization," said Trez Moore, Luminent's President and Chief Operating Officer. "Our record tight print of LIBOR + 16.5 basis points on our AAA securities will provide the basis for strong dividends well into the future."
>
> The collateral in LUM 2007-1 consists of prime quality adjustable rate mortgages, with an average FICO of 719 and an average loan-to-value of 72.9%. These characteristics are consistent with the high quality focus of Luminent's credit profile.

"LUM 2007-1 has credit enhancement from multiple sources including subordination, excess interest, overcollateralization, allocation of losses and a primary mortgage insurance policy for all loans with loan-to-value in excess of 80%. In addition, Luminent has arranged for lender paid primary mortgage insurance ("LPMI") which covers substantially all the mortgage loans with loan-to-value ratios ranging from 75% through 80%," said Megan Mahoney, Luminent's Senior Vice President of Client Relations. "In addition, the Class I certificates will also have the benefit of a swap and a cap agreement. The LPMI was provided by Triad Guaranty Insurance Corporation and the derivatives by The Royal Bank of Scotland PLC through its agent, Greenwich Capital Markets, Inc."

"We are pleased to have played an important part in this most recent securitization of mortgage loans and value our growing relationship with Luminent," stated Mark K. Tonnesen, President and Chief Executive Officer, Triad Guaranty Insurance Corporation.

27. On February 9, 2007, the Company announced its fourth quarter and full year 2006 earnings, in a release stating in part:

Luminent Mortgage Capital Fourth Quarter and Full Year 2006 Earnings: Solid Growth in Earnings and Prime Quality Portfolio

- Fourth quarter adjusted REIT taxable net income of $0.34 per share, up 13% quarter-over-quarter
- Full-year REIT taxable net income of $41.0 million, up 31% versus 2005
- Full-year 2006 dividends declared of $0.925, up more than 20% versus 2005
- Dividend yield of 12.6% based on February 8, 2007 closing stock price of $9.52
- Fourth quarter book value per share of $9.86, up quarter-over-quarter and year-over-year
- Strong credit profile and performance
- 92% of assets A rated or higher
- Prime quality loans and AAA securities are 90% of assets

. . . Luminent Mortgage Capital, Inc. today reported net income for the quarter ended December 31, 2006 of $18.0 million, or $0.39 per share, and core earnings of $14.4 million, or $0.31 per share. REIT taxable net income for the quarter ended December 31, 2006 was $12.6 million, or $0.26 per share, and adjusted REIT taxable net income, was $16.5 million, or $0.34 per share. Fourth quarter core earnings adjust for the mark-to-market on hedging instruments and fourth quarter adjusted REIT taxable net income adjusts for final payments related to the internalization of management. The difference between GAAP net income and core earnings, and REIT taxable net income and adjusted REIT taxable net income is detailed in the additional financial information provided on pages seven and eight of this release.

For the year ended December 31, 2006, Luminent reported net income of $46.8 million, or $1.14 per share, and core earnings of $45.2 million, or $1.10 per share. REIT taxable net income for the year ended December 31, 2006 was $41.0 million, or $0.97 per share. Adjusted REIT taxable net income for the year ended December 31, 2006 was $48.1 million, or $1.14 per share. The strong year-over-year income growth reflects the successful broadening of Luminent's business platform from a passive agency mortgage-backed securities REIT to an active mortgage asset manager.

"We are very pleased with our fourth quarter and full-year results," said Gail P. Seneca, Chief Executive Officer and Chairman of the Board of Directors. "We distinguished ourselves among mortgage REITs by growing our dividend, our book value, and our profitability in 2006. During the year, we built the foundation to deliver an ongoing stream of strong and consistent dividends. Our high credit quality, non-interest rate sensitive model is working."

"Luminent is uniquely positioned to prosper in a challenging mortgage environment," commented Trez Moore, President and Chief Operating Officer. "Luminent's business is investment management. Our model is neither volume driven nor sub prime focused. We manage mortgage assets and employ risk disciplines that ensure high credit quality and minimize interest rate sensitivity. With Luminent's sophisticated infrastructure and seasoned professionals, we are confident that we can sustain solid credit performance and produce attractive dividends. We look forward to another year of delivering strong returns to our investors."

Additional financial highlights include:

- Robust net interest spread: 158 basis points for the fourth quarter and 144 basis points for the full year
- Strong return on equity: 15.7% for the fourth quarter and 11.4% for the full year
- Asset growth: total assets of $8.6 billion, up 35% from the third quarter and 75% from December 2005
    - 800 million in prime quality loans securitizations in the fourth quarter
    - $4.6 billion prime quality securitizations in 2006
- Record net interest income: $29.6 million in fourth quarter 2006, up 35% over third quarter 2006
- Solid credit performance
    - Delinquencies less than half the industry average
- Solid credit quality
    - 92% of assets are rated A or higher
    - Prime quality whole loan portfolio
- Minimal interest rate exposure

Case 4:07-cv-04141-SBA Document 1-5 Filed 08/13/2007 Page 14 of 26

- ° "Matched-book" funding strategy
- ° 89% of mortgage assets float monthly, including the impact of hedges
- ° Virtually zero duration gap

- Moderate leverage: 7.4x on a recourse basis

Luminent's credit quality is strong. 92% of Luminent's assets are rated A or higher or have been securitized into mortgage-backed securities rated A or higher. 65% of Luminent's assets are first lien, prime quality mortgages. Overall, the average FICO score is 713 and down payments are strong, with an average loan-to-value ratio, net of mortgage insurance, of 72.6%. 25% of Luminent's assets consist of AAA or agency-backed mortgage-backed securities. 9% of Luminent's assets consist of other mortgage-backed securities with an average credit rating of BBB+.

Luminent's credit performance is sound. Serious delinquencies (90 days +) stand at 54 basis points, less than half the industry average.

Book value at December 31, 2006 grew to $9.86 per share, net of the $0.375 of dividends declared during the quarter. The improvement in book value during a volatile year demonstrates the high credit quality of the portfolio and the effectiveness of sophisticated hedging techniques.

The net interest spread for the quarter ended December 31, 2006 was 1.58%. At December 31, 2006, the weighted-average coupon rate of Luminent's total mortgage assets was 7.03%. The weighted-average yield on average earning assets during the quarter ended December 31, 2006 was 7.12%. The weighted-average cost of average financing liabilities for the quarter was 5.54%.

The weighted-average amortized cost price of Luminent's total mortgage assets was 101.1% of par as of December 31, 2006. The constant payment rate on total mortgage assets was 17% for the quarter ended December 31, 2006. The majority of Luminent's loans carry explicit prepayment penalties.

Luminent maintains a strong capital position and modest leverage. Cash and unencumbered assets were in excess of $200 million at December 31, 2006. Luminent's recourse leverage ratio, defined as recourse financing liabilities as a ratio of stockholders' equity plus long-term debt, was 7.4x at December 31, 2006. During the fourth quarter, Luminent improved its capital efficiency by launching a single-seller commercial paper program, Luminent Star Funding I. Luminent intends to issue CDOs in 2007 which will further improve its capital efficiency.

Luminent's funding strategy exhibits diversification, low borrowing costs, and extensive reliance on non-recourse, matched-funded financing. Repurchase agreement financing declined to just 33% of total liabilities at December 31, 2006, down from 87% at December 31, 2005.

During the fourth quarter, Luminent executed its eighth loan securitization, LUM 2006-7, consisting of $800 million prime quality mortgages. The average FICO score of mortgage borrowers in this transaction was 719. The average loan-to-value ratio of the loans was 64.8%, net of mortgage insurance. All loans with 75% or greater loan-to-value ratio carried private mortgage insurance. Capital market reception was excellent, with average funding costs of LIBOR plus 19 basis points

> on the AAA-rated tranches of the securitization. The debt created in the securitization is non-recourse, match-funded and not marked-to-market.
>
> At year-end, Luminent had $773 million of unsecuritized loans on its balance sheet. In January 2007, Luminent executed its ninth loan securitization, LUM 2007-1, consisting of $707 million prime quality mortgages. The average FICO score of mortgage borrowers in this transaction was 719. The average loan-to-value ratio of the loans was 72.1%, net of mortgage insurance. All loans with 75% or greater loan-to-value ratios carried private mortgage insurance. Average funding costs were LIBOR plus 16.5 basis points on the AAA-rated tranches of the deal, Luminent's best pricing to date.
>
> Luminent issued 6.9 million shares of its common stock during the quarter ended December 31, 2006, and raised gross proceeds of $70.7 million.
>
> Luminent paid a special dividend during the quarter ended December 31, 2006 of $0.075 cents per share and declared a fourth quarter of 2006 dividend of $0.30 per actual share. Luminent estimates that its undistributed REIT taxable net income balance as of December 31, 2006 was approximately $4.4 million, or $0.09 per actual share outstanding.

28. On March 16, 2007, the Company filed its Form 10-K for fiscal 2006, which included results for the fourth quarter 2006, and included the same financial results previously reported. The Form 10-K contained virtually identical certifications by Seneca and Zyda as contained in Luminent's Form 10-Q for the third quarter of 2006, as cited above in ¶24.

29. On May 8, 2007, the Company issued a press release entitled "Luminent Mortgage Capital Repurchases Over Two Million Shares and Announces an Additional Five Million Share Repurchase Program." The press release stated in part:

> Luminent Mortgage Capital, Inc. announced today that subsequent to March 31, 2007 and through May 7, 2007, it has completed the repurchase of 2,194,900 shares of its common stock at an average price of $8.17. The stock repurchases were made through Luminent's 10b(5) stock repurchase program. As of March 31, 2007, Luminent had 2,405,715 shares remaining on the stock repurchase authorization approved by its Board of Directors in February 2006.
>
> "We are very pleased to complete these share repurchases and to create significant value for our shareholders," said Gail P. Seneca, Luminent's Chairman and Chief Executive Officer.
>
> Luminent also announced today that its Board of Directors has authorized an additional 5,000,000 share common stock repurchase program. Luminent will, at its discretion, purchase shares at prevailing prices through open market transactions subject to the provisions of SEC Rule 10b (18), in privately negotiated transactions and through its 10b(5) stock repurchase program. With the new stock repurchase authorization from its Board, Luminent now has the ability to repurchase 5,210,815 shares of common stock.

"We are committed to creating value for our shareholders through additional common stock repurchases while our stock price is significantly below our book value per share," commented Ms. Seneca.

30. On May 29, 2007, the Company issued a press release entitled "Luminent Mortgage Capital Announces Offering of $85 Million of Senior Unsecured Convertible Notes and Expected Repurchase of Approximately $25 Million of Common Stock." The press release stated in part:

Luminent Mortgage Capital, Inc. announced today it has commenced an offering, subject to market and other conditions, of $85 million aggregate principal amount of senior unsecured convertible notes due 2027 to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended. Luminent also expects to grant the initial purchaser an option to purchase up to an additional $15 million aggregate principal amount of notes. The notes will be convertible into cash up to their principal amount and, with respect to the remainder, if any, of the conversion value in excess of such principal amount, at the option of Luminent in cash or Luminent's shares of common stock.

Luminent expects to use the net proceeds from the offering to repurchase concurrently with the offering up to approximately $25 million of its shares of common stock and to apply the balance for general corporate purposes, principally investing in its targeted asset classes.

31. On May 31, 2007, the Company issued a press release entitled "Luminent Mortgage Capital Announces Pricing of $90 Million of Convertible Senior Notes and Repurchase of $18 Million of Shares of Common Stock." The press release stated in part:

Luminent Mortgage Capital, Inc. announced today that it has priced, on May 30, 2007, its offering of $90 million aggregate principal amount of 8.125% convertible senior notes due 2027 and that it will use approximately $18 million of the net proceeds from the offering of the notes to repurchase shares of its common stock. Luminent also granted the initial purchaser an option to purchase up to an additional $20 million of aggregate principal amount of notes. Closing is expected to occur on June 5, 2007.

Luminent expects to use up to $18 million of the net proceeds from the offering to concurrently repurchase shares of its common stock at a price of $9.13 per share (the closing price on May 30, 2007) and to apply the balance for general corporate purposes, principally investment in its targeted asset classes.

Prior to June 1, 2026, upon the occurrence of specified events, the notes will be convertible at the option of the holder at an initial conversion rate of 89.4114 shares per $1,000 principal amount of notes. The initial conversion price of $11.18 represents a 22.5% premium to the closing price of $9.13 per share of Luminent common stock on May 30, 2007. On or after June 1, 2026, the notes will be convertible at any time prior to the second business day prior to maturity at the option of the holder. Upon conversion of notes by a holder, the holder will receive cash up to the principal amount of such notes and, with respect to the remainder, if any, of the conversion value in excess of such principal amount, at the option of Luminent in cash or in shares of Luminent's common stock. The initial conversion rate is subject to adjustment in certain circumstances.

Prior to June 5, 2012, the notes will not be redeemable at Luminent's option, except to preserve Luminent's status as a REIT. On or after June 5, 2012, Luminent may redeem all or a portion of the notes at a redemption price equal to the principal amount plus accrued and unpaid interest (including additional interest), if any.

Note holders may require Luminent to repurchase all or a portion of the notes at a purchase price equal to the principal amount plus accrued and unpaid interest (including additional interest), if any, on the notes on June 1, 2012, June 1, 2017, and June 1, 2022, or upon the occurrence of certain change in control transactions prior to June 5, 2012.

32. On June 27, 2007, the Company issued a press release entitled "Luminent Mortgage Capital Announces a Dividend Increase to $0.32 Per Share for the Second Quarter of 2007." The press release stated in part:

The Board of Directors of Luminent Mortgage Capital, Inc. today declared a cash dividend for the second quarter of 2007 of $0.32 per share, payable on August 8, 2007 to stockholders of record on July 11, 2007. The second quarter 2007 dividend of $0.32 per share represents a 7% increase quarter-over-quarter and a 60% increase year-over-year. Luminent's annualized dividend yield, based on its second quarter 2007 cash dividend and the June 27, 2007 closing stock price of $9.90, is 12.9%.

"Our disciplined high quality investment strategy has allowed us to increase our dividend to our shareholders by nearly 7% during a period of unprecedented turmoil in the mortgage industry," said S. Trezevant Moore Jr., Luminent's Chief Executive Officer. "The rise in intermediate and longer-term rates has not affected us as our investments are based on short-term interest rates. Our recently completed convertible bond offering has provided us with more than ample liquidity to invest in today's market conditions. We are optimistic that further profitable investments may be available to us in the near term as capital markets continue to rebalance. In fact, we expect that our new, higher, dividend will be easily sustainable in the near future."

33. On July 30, 2007, the Company issued a press release entitled "Luminent Mortgage Capital, Inc. Confirms Second Quarter Dividend Payment of $0.32 per Share Secure, Full Compliance With All Financial Covenants, and Ample Liquidity." The press release stated in part:

Luminent Mortgage Capital, Inc. announced today that its second quarter dividend payment of $0.32 per share, payable to stockholders on August 8, 2007, is secure and will not be canceled.

In addition, Luminent confirmed that as of July 30, 2007 it is in full compliance with all its financial covenants. Furthermore, Luminent confirmed that as of July 30, 2007 it had ample liquidity to manage its business.

Luminent reiterated that it is an investor in, and not an originator of, mortgage loans. As such, Luminent is not subject to the loan repurchase risk that is currently impacting certain loan originators. Instead, Luminent purchases high quality mortgage loans from originators, and only after Luminent conducts exhaustive due diligence on each and every loan. As of June 30, 2007, Luminent's 15,327 of whole loans had a weighted-average FICO score of 715, a weighted-

> average loan-to-value ratio net of mortgage insurance of 71%, and 86.4% of these loans were on owner-occupied properties.
>
> In addition, Luminent reiterated that it employs a disciplined and sophisticated hedging program for the interest rate and credit risks in its portfolio using Eurodollar futures, interest rate swaps, swaptions, interest rate caps, and by shorting various portions of the ABX indices as well as employing single-name credit default swaps. During the quarter ended June 30, 2007, the strong performance of Luminent's credit hedges more than offset the income statement and balance sheet impact of mark-to-market pricing and certain impairment charges related to its credit sensitive assets. This strong performance of Luminent's disciplined hedging program was one of the contributors to the increase in Luminent's book value per share to $10.05 as of June 30, 2007.

34. Then, on August 6, 2007, after the market closed, the Company issued a press release entitled "Luminent Mortgage Capital, Inc. Announcements." The press release stated in part:

> Luminent Mortgage Capital, Inc. announced today that, since August 3, 2007, the mortgage industry, and the financing methods that the mortgage industry relies upon, have deteriorated significantly and in an unprecedented fashion. Effectively, the secondary market for mortgage loans and mortgage-backed securities has seized-up. As a result, Luminent is simultaneously experiencing a significant increase in margin calls on its highest quality assets and a decrease on the financing advance rates provided by its lenders.
>
> In a Board of Directors meeting today, Luminent's Board unanimously voted to take the following actions:
>
> - The Board of Directors suspended payment of Luminent's second quarter cash dividend of 32 cents per share on Luminent's common stock.
> - The Board of Directors extended the maturity of the outstanding commercial paper issued by Luminent Star Funding Trust I, a special purpose subsidiary of Luminent, by 110 days.
> - The Board of Directors cancelled Luminent's second quarter 2007 earnings release conference call, scheduled for Thursday, August 9, 2007, at 10:00 a.m. PDT, to discuss its second quarter of 2007 results of operations.
> - The Board of Directors delayed the filing of Luminent's quarterly report on form 10-Q for the second quarter of 2007. Luminent's second quarter of 2007 unaudited condensed financial information is attached to this press release. Luminent's independent registered public accounting firm has not completed a review of the financial information for the three and six months ended June 30, 2007.
> - The Board of Directors authorized Luminent's senior management to inform the New York Stock Exchange of these unfolding events and, as a result, trading was halted in Luminent's common stock.

> The Board of Directors currently is considering the full range of strategic alternatives to enhance Luminent's liquidity and preserve shareholder value during this period of market volatility.

35. On August 7, 2007, Luminent's stock collapsed $3.30 per share to close at $1.08 per share, a one-day decline of 75% on volume of 32.2 million shares, 25 times the average three-month volume.

36. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) The Company lacked requisite internal controls, and, as a result, the Company's projections and reported results issued during the Class Period were based upon defective assumptions and/or manipulated facts;

(b) The Company's investments in mortgage loans were not all "high quality" as claimed by defendants, nor was its hedging disciplined and sophisticated as to credit risk; and

(c) The Company was not on track to report the earnings forecast or to pay the dividends promised.

37. As a result of defendants' false statements, Luminent's stock price traded at inflated levels during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down more than 89% from their Class Period high.

LOSS CAUSATION/ECONOMIC LOSS

38. By misrepresenting its financial statements, the defendants presented a misleading picture of Luminent's business and prospects. Thus, instead of truthfully disclosing during the Class Period that Luminent's business was not as healthy as represented, Luminent falsely overstated the safety of its investments.

39. These claims of profitability caused and maintained the artificial inflation in Luminent's stock price throughout the Class Period and until the truth was revealed to the market.

40. Defendants' false and misleading statements had the intended effect and caused Luminent stock to trade at artificially inflated levels throughout the Class Period, reaching as high as $10.30 per share.

41. In late July 2007, stocks of other mortgage-related companies began to decline as the market understood the risks with these companies was greater than had been represented. Luminent dropped as well as investors began to suspect it was not as solid as defendants had suggested. By August 3, 2007, the stock was down to the $6 per share range after having been in the $8-$10 range for most of its history. By August 6, 2007, it dropped to the $4 range.

42. On August 6, 2007, defendants were forced to publicly disclose that Luminent was suspending its dividend and was getting margin calls, causing its stock to drop to $1.08 per share.

43. As a direct result of defendants' admissions and the public revelations regarding the truth about the risk of Luminent's investments and about its actual business prospects going forward, Luminent's stock price plummeted 75% on August 7, 2007, to $1.08 per share, a one-day decline of $3.30 per share. This drop removed the inflation from Luminent's stock price, causing real economic loss to investors who had purchased the stock during the Class Period.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

44. Plaintiff incorporates ¶¶1-43 by reference.

45. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

46. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

(a) employed devices, schemes and artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Luminent publicly traded securities during the Class Period.

47. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Luminent publicly traded securities. Plaintiff and the Class would not have purchased Luminent publicly traded securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

48. Plaintiff incorporates ¶¶1-47 by reference.

49. The Individual Defendants acted as controlling persons of Luminent within the meaning of §20(a) of the 1934 Act. By reason of their positions with the Company, and their ownership of Luminent stock, the Individual Defendants had the power and authority to cause Luminent to engage in the wrongful conduct complained of herein. Luminent controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

CLASS ACTION ALLEGATIONS

50. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Luminent publicly traded securities during the Class Period (the "Class"). Excluded from the Class are defendants.

51. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Luminent has over 46 million shares of stock outstanding, owned by hundreds if not thousands of persons.

52. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

(a) whether the 1934 Act was violated by defendants;

(b) whether defendants omitted and/or misrepresented material facts;

Case 4:07-cv-04141-SBA Document 1 Filed 08/13/2007 Page 22 of 26

(c) whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) whether defendants knew or deliberately disregarded that their statements were false and misleading;

(e) whether the prices of Luminent's publicly traded securities were artificially inflated; and

(f) the extent of damage sustained by Class members and the appropriate measure of damages.

53. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

54. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

55. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;

B. Awarding plaintiff and the members of the Class damages, including interest;

C. Awarding plaintiff reasonable costs and attorneys' fees; and

D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: August 13, 2007

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Case 4:07-cv-04141-SBA Document 1 Filed 08/13/2007 Page 24 of 26

CERTIFICATION OF INTERESTED ENTITIES OR PERSONS

Pursuant to Civil L.R. 3-16, the undersigned certifies that as of this date, other than the named parties, there is no such interest to report.

ATTORNEY OF RECORD FOR PLAINTIFF
ELLIOT GREENBERG

CERTIFICATION OF NAMED PLAINTIFF
<u>PURSUANT TO FEDERAL SECURITIES LAWS</u>

I, ELLIOT GREENBERG, hereby certify as follows:

1. I have reviewed the proposed complaint to be filed on my behalf in the United States District Court for the Northern District of California concerning Luminent Mortgage Capital, Inc., brought under the federal securities laws, and have authorized the filing of same.

2. Plaintiff did not purchase, or otherwise acquire, the securities of Luminent Mortgage Capital, Inc. that are the subject of this action, at the direction of plaintiff's counsel. or in order to participate in any private action arising under the federal securities laws.

3. I am willing to serve as a representative party on behalf of the class, and will provide testimony at a deposition and/or at trial, if necessary.

4. Plaintiff's transactions in the securities that are the subject of this litigation during the class period set forth in the complaint are, as follows:

a) Plaintiff purchased 2, 000 shares of Luminent Mortgage Capital, Inc. common stock on March 16, 2007 at $ 8.703 per share.

b). Plaintiff sold 2,000 shares of Luminent Mortgage Capital, Inc. common stock on August 1, 2007 at $6.85 per share.

5. During the three years prior to the date hereof, plaintiff has not filed an action in which he has sought to serve, or has served. as a representative party for a class in any action filed under the federal securities laws, except:

a). <u>Elliot Greenberg v. American Home Mortgage Investment Corp., et al</u>., 07-CV-3152 (Platt), U.S. District Court, Eastern District of New York.

6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond his pro rata share of any recovery. or as ordered or approved by the

Court, including the award to a representative of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief. Executed this 9 day of August , 2007 at Smithtown, New York.

ELLIOT GREENBERG